

## **UNITED STATES DELEGATION REPORT**

### **UPU COUNCIL OF ADMINISTRATION SESSION AND POSTAL OPERATIONS COUNCIL MEETINGS**

**22 October – 9 November 2007**

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#### **INTRODUCTION**

This report summarizes the deliberations of the 2007 session of the UPU Council of Administration, held in Bern, Switzerland from October 22 to November 9.

The decisions taken by the CA and various POC groups in Bern that were of most importance to the United States included the following:

- Further progress on development of a proposal for the structure of the terminal dues system to be put forward to the 2008 UPU Congress.
- A proposal to create a Quality Link User Group in January 2008.
- A draft resolution for the Nairobi Congress in support of strengthening the role and contribution of the Consultative Committee.
- A decision that would have the CA carry out a more profound study of the difficulties caused by Extra-territorial Offices of Exchange (ETOE) and the structure of the codes allocated by the IB to identify International Mail Processing Centres, including ETOEs.
- A resolution for a new budget system based on the source of funding, that is, mandatory contributions, extra-budgetary funds or voluntary contributions.
- A decision that future “proposals of a general nature” submitted to UPU Congresses shall be supported by information concerning their budgetary impact.

The U.S. delegation was led by Michael Glover, Director of the Office of Technical Specialized Agencies of the Department of State Bureau of International Organization Affairs. Other members of the delegation included Dennis Delehanty of the State Department; International Postal Affairs Executive Director Mike Regan, Senior Vice President, Intelligent Mail and Address Quality Thomas Day and Chief Postal Inspector Alexander Lazaroff of the U.S. Postal Service; Postal Regulatory Commissioners Ruth Goldway and Tony Hammond; and other delegates from Customs and Border Protection, the Postal Regulatory Commission and USPS (see complete U.S. delegation list in Annex 1).

Since the Postal Operations Council figures more prominently in the U.S. Strategic Plan for the UPU (published on the State Department website at <http://www.state.gov/p/io/ipp/usgdoc/>) than the CA, the work of POC groups is discussed in Part I of this report while the deliberations of the appear in Part II. Generally speaking, this report reflects the order of the priorities of this Strategic Plan.

A list of abbreviations used in this report appears in Annex 2.

## PART I: POSTAL OPERATIONS COUNCIL

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### TERMINAL DUES AND ECONOMIC ISSUES

#### *Terminal Dues Project Group and Terminal Dues Governance Issues Project Group*

The Terminal Dues Project Group discussed the latest proposals for the future terminal dues system, incorporating input from workshops in Bern, as well as several regional roundtables on terminal dues held throughout the summer and fall of 2007. The Group endorsed many elements of the proposal package and decided on several other amendments and improvements during the meetings in Bern. The system design for the future global system will retain a Target System and a Transition System, with a defined schedule for transition of countries into the Target System. Countries and territories will be classified into five groups according to a methodology that combines per-capita Gross National Income with Postal Development Indicators. The CA Terminal Dues Governance Issues Project Group, CA Committee 2 and the CA plenary endorsed this classification methodology. As Bucharest Congress resolution C 46 requires the more advanced developing countries to enter the target system before 2012, the following transition of all countries into the target system was decided:

- Group 1 countries will enter the Target System in 2010 (date of entry into force of the Nairobi Acts). The 13 countries and territories in Group 1 include, inter alia, Aruba; Bermuda; Cayman Islands; Hong Kong, China; Korea; Kuwait; Singapore; and United Arab Emirates.
- Group 2 countries will enter the Target System in 2012. The 21 countries in Group 2 include, inter alia, Bahamas, Barbados, Croatia, Hungary, Netherlands Antilles, Poland, and Saudi Arabia.
- Group 3 countries would enter in 2014, with Groups 4 and 5 entering after 2014, although transition arrangements for these groups (3, 4 and 5) will depend on a decision after the Nairobi Congress, since the Acts of the Nairobi Congress will be in effect from 2010 to 2013.

The Transition System will remain largely the same as it exists today, with the majority of mail flows paid using a global flat rate per kilogram based on the worldwide average number of items per kilogram (IPK) of 14.64. This rate will increase by 2.8% per year throughout the Nairobi cycle from 2010 to 2013, with an additional 2.3% increase from 2009 to 2010 to account for the lower IPK from the most recent mail flow study. This proposal will represent a cumulative increase of 14.25% over the four year period. The revision mechanism will be retained for the largest mail flows (above a threshold of 75 tons as recommended by PT 2 studies) where the mail may be sampled and terminal dues paid on a per-item and per-kilogram basis (like the Target System).

The Target System rates will continue to be country-specific, based on a percentage of domestic postage rates (tariffs), with caps and floors. The cap rates (paid to countries with high domestic tariffs) will increase by 4% per year for a cumulative increase of 17% in terminal dues rates over the four year period from 2010-2013. The floor rates (paid to countries with low domestic tariffs) will increase by 2.4% per year, for a cumulative increase of 10% over the same period.

The Terminal Dues Project Group did not make a final decision regarding the tariff linearization methodology, as a new financial impact analysis tool had only been made available a few days before the Group met. The two options for methodology to derive terminal dues based on domestic tariffs are:

- Method A (20 gram methodology as in the current system) which was preferred by a majority at the last workshop in Bern, as well as many regional roundtables;
- Method B (which references the 20 gram tariff and the average of multiple tariffs up to two kilograms).

Other elements common to both the Transition and Target Systems include:

- Optional 10% discount for non-priority (surface and SAL) mail;
- Optional format-separated rates at a discount (to be decided by bilateral agreement);
- The system harmonization mechanism will be eliminated;
- No changes are proposed for the bulk mail mechanism and M bag rates;
- The supplement for registered items will increase to 0.6 SDR, and the insured items supplement will increase to 1.2 SDR per item;
- The Quality of Service Fund payments will be eliminated gradually for Group 1 and 2 countries entering the Target System. The percentages proposed for the other groups are 8% to Group 3, 10% to Group 4, and 20% to Group 5 countries which are classified by the UN as Least Developed Countries (LDCs).

#### *Statistics and Accounting Project Team (PT 2)*

This Team discussed statistics, accounting and sampling issues related to terminal dues, including an updated cost-benefit analysis of sampling, cost savings on the use of trays and other receptacles, and the use of net weight instead of gross weight for terminal dues accounting and payments. The Team recommended that the sampling threshold for transition countries in regard to the Revision Mechanism be reduced from 100 tonnes to 75 tonnes for the 2010 to 2013 period.

#### *Terminal Dues Quality Link Project Team – (PT 3)*

At the October 29 meeting of the Quality Link Project Team, the U.S. presented a proposal developed by an ad hoc group for the creation of a Quality Link User Group starting in January 2008. After extensive consultation with other countries and the IB, the proposal and rules of procedure were endorsed by PT 3 and forwarded to the Terminal Dues Project Group. An accompanying IB memo proposing “user fees” was not however approved by the full Project Group. The U.S. also suggested a revision for the use of city weighting for performance calculation. Instead of using U.S. Census Bureau population data of the cities measured within the incorporated city boundaries, PT 3 agreed to use U.S. Census data for metropolitan area population which will better distribute the weighting of the seven measured cities and more accurately reflect the areas currently measured.

The U.S. requested a change in the way test items are measured at its Los Angeles International Service Center where, due to stepped up enforcement by U.S. Customs, secondary inspections of letter post traffic had been initiated. PT 3 agreed to the correction and instructed International Postal Corporation to calculate secondary screenings into overall

performance results. The Team also set 2008 performance targets at 88% for original members of the Quality Link, 84% for Greece, Spain and Malta, 81% for Brazil and Ukraine and 75% for new countries joining the system. The Team heard an update on the development of the Global Monitoring System, including a concept by Denmark on future remuneration principles which foresees a 2.5% participation incentive plus 2.5% bonus for target achievement. Denmark's plan would allow countries joining the system a two-year grace period before linking performance to terminal dues payments.

#### *Quality of Service Fund Ad hoc Group*

In an effort to evaluate experience gained so far and harmonize work relevant to QSF projects, Postal Operations Council Chairman Michael Regan agreed to an IB suggestion to form and chair an Ad hoc Group to review QSF principles and practices. The output of the Group would be specific recommendations on the future of the Fund for submission to the Nairobi Congress.

Representatives of the Consultative Committee, Development Cooperation Action Group, Postal Development Action Group, QSF Board of Trustees, Quality of Service Project Group and Terminal Dues Project Group serve on this Group, which held its first meeting on October 29.

Noting that the Quality of Service Fund is a still transitional arrangement, the Group gave preliminary endorsement to a recommendation that the 2008 Congress extend the trust. The Group also considered how QSF projects related to deployment of the proposed Global Monitoring System could be given priority.

#### *QSF Seminar*

On November 2, the Quality of Service Fund Board of Trustees held an informal seminar to brief member countries about the Fund, including the Fund's finances, training efforts, statistics on projects and project evaluation.

Introductory presentations called attention to the work of the Board's Finance and Investment Committee which manages the Fund portfolio. The Fund's management costs represent about 5% of income and are totally covered by interest gained by the portfolio. In 2007 the portfolio had probably its best performance since its inception. The Fund produces about \$15 million annually from terminal dues payments, and in November 2007 had \$63 million in uncommitted funds available for project proposals.

Board members pointed to information on the QSF section of the UPU website that maintains a catalog of project templates, the Deed of Trust, the Project Management Manual and Financial Management Manual. Five regional QSF training sessions will be held from November 2007 through May 2008 for Asia-Pacific, Latin America, and English and French speaking African and Arabic countries.

The seminar also featured a free discussion on the future of the Fund. In the ensuing debate, most delegates expressed a strong preference for continuance of the Fund as well as maintenance of the Fund's link to letter post terminal dues and elections for Board members. At the close of the seminar, eight countries received awards for their exemplary management of QSF projects based on specific criteria such as full achievement of project objectives and compliance with financial rules.

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## QUALITY OF SERVICE

During a two-day meeting, the Quality of Service Steering Committee first tackled a review of the J+5 global end-to-end standard set at the Bucharest Congress and the problems encountered in trying to calculate performance scores against this target based on unreliable data from the UPU's "continuous testing" program. Options discussed included merging UNEX scores with the results of the continuous testing program to arrive at a more accurate global service performance average. The IB gave an update on the implementation of Bucharest Congress resolution C 48 on service standards, report cards and quantifiable goals for all classes of mail and briefed the Steering Committee on efforts to provide UNEX data in UPU report cards. The IB indicated that International Post Corporation and its members may be willing to provide some data but only in the form of end-to-end scores.

Day two was devoted to the Global Monitoring System. The IB Legal Advisor indicated that the POC could create an interim group to work between the January 2008 POC and the Nairobi Congress to progress development of this System. The Steering Committee also discussed implementation of a pilot project which could be used to test the technical specifications drafted by the Development Group. The Steering Committee decided that this pilot project should not be confined to a particular region, but should rather embrace a representative range of industrialized and developing countries.

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## CONSULTATIVE COMMITTEE

Under the chairmanship of Charles Prescott of the Direct Marketing Association, the Consultative Committee met to hear presentations on UPU reform, priorities for the Nairobi Postal Strategy and the following issues:

- UPU/ICANN negotiations toward the establishment of a *.post* top level domain;
- New security requirements from the European Union for postal shipments;
- Impact of the Postal Accountability and Enhancement Act on exchanges of postal shipments with the United States.

Two active Consultative Committee members, *Global Express Association* and the *Express Delivery and Logistics Association*, provided comments on UPU reform a proposed mission statement that appeared suddenly in the draft Nairobi Postal Strategy, and the recently completed study by the World Trade Institute study on the implications of GATS and Doha negotiations on postal services.

The Committee stressed that UPU reform should include expanded involvement of the private sector in the work of the UPU.

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## STRATEGIC PLANNING

At this session, the Strategic Planning Group began to focus on the proposals and decisions that it will ask the POC and CA to submit to the Nairobi Congress which represent the tangible results of the Group's work since 2004.

The Results Based Management Team reported on the Bucharest Strategy Report Cards it had developed as well as its survey to determine the views of member countries on UPU priorities. The IB issued the first such set of report cards, for calendar year 2006, in September 2007. The 2007 report cards will contain a provisional solution under which actual inbound letter post performance for industrialized countries (ICs) would not be shown; instead, the cards would indicate which IC postal administrations had deployed measurement systems and had met their quality link targets for terminal dues calculations. The CA plenary later confirmed that the Nairobi Congress should address the issue of how the performance figures should be published.

The results of the survey on priorities showed a strong preference among member countries for making quality of service the Union's top priority. Other activities considered high priorities were parcels, postal security, terminal dues, cost accounting, universal postal service, e-products and postal financial services. Activities viewed as having less importance included international reply coupons, the publishing sector, the "Information Society", postal economics and external stakeholder relations. Replies to the survey will be collected through mid-December and, time permitting, a more detailed analysis of the survey results will be presented at the January 2008 POC.

Other matters which the Strategic Planning Group dealt with included a review of documents prepared by the IB to evaluate achievement of Bucharest World Postal Strategy objectives and the current draft of the Nairobi Postal Strategy. The Group also adopted an IB suggestion to require that all "proposals of a general nature" submitted to the Nairobi Congress should be accompanied, where appropriate, by a "programme and budget impact statement" showing expected costs.

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## **CUSTOMS ISSUES**

For the U.S., by far the most important issue taken up at the Customs Support Project Group session was an update, by U.S. delegates, on the impact of the provisions in the 2006 Postal Accountability and Enhancement Act, as well as the Trade Act of 2002, on the customs clearance of postal items to and from the United States. In their presentation, U.S. delegates from Customs and Border Protection and the Department of State outlined the course of action the U.S. will pursue to enact provisions of these laws which will focus on pressing postal administrations to begin transmitting advance electronic data on mail considered to be "competitive" that enters the United States. Some steps mentioned were pursuing partners for electronic customs data exchange pilots, standardizing EDI messages for transmission of the data elements of the CN 23 customs declaration, and developing Congress proposals to facilitate electronic customs clearance procedures.

Germany and Great Britain provided updates on the status of changes proposed for EU customs clearance regulations. The current version of these amendments contain specific provisions for goods moved under UPU rules, but still allow use of CN 22 and CN 23 customs declarations. EU postal administrations will however eventually be responsible for customs processing and duty assessment of items entering the EU, and these processes will involve the electronic transmission of data. Germany will continue to monitor developments.

The UPU Postal Technology Centre (PTC) reported on its progress towards developing an electronic Postal Export Guide (a re-designed List of Prohibited Articles merged with information from other UPU customs-related publications) and on its EDI initiatives related to customs. The

latter effort involves drafting a global EDI definition between Posts and Customs and developing a technical interface between the PTC's EDI system and ASYCUDA (an electronic system for customs purposed employed currently by more than 80 developing countries).

The IB briefed on several joint projects between the UPU and the World Customs Organization (WCO) currently underway, including a course on customs; updates to joint publications, the recently renewed WCO–UPU memorandum of understanding, and integration of the WCO Harmonized System electronic database into the UPU Postal Export database.

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## **POSTAL SECURITY ACTION GROUP**

On October 31, the Postal Security Action Group (PSAG), which now has 78 member administrations and 27 observers, approved a report of the work accomplished over the past year and commented on the structure, direction of work, and future focus of the Group.

In preparation for the Nairobi Congress, PSAG reviewed the provisions in the UPU Convention, Letter Post Regulations, and Parcel Post Regulations to ensure that existing text complies with the regulations promulgated by the United Nations Sub-Committee of Experts on the Transport of Dangerous Goods and by ICAO, IAEA, and IATA. A related effort in response to recent changes in ICAO Technical Instructions concerning training and safety requirements for handling dangerous goods led PSAG to develop a dangerous goods training program for postal managers.

To further harmonize operational security controls, PSAG is developing physical and process security standards for the postal sector. Several PSAG members had expressed the view that the postal sector has not sufficiently taken advantage of existing international and regional supply chain security models developed primarily for cargo shipments.

At the request of the Postal Financial Services Group, PSAG developed recommended compliance measures to combat money laundering and terrorist financing for inclusion in the Postal Payment Services Manual. PSAG was also directed to draft a resolution for submission to the CA describing a framework for the suggested measures. This resolution was later approved by the CA plenary.

The International Airport Mail Security Audit Program developed by PSAG serves as the industry standard for gauging mail security initiatives implemented at airports worldwide. This past year, PSAG conducted airport security reviews at transit hubs where serious problems with irregularities and quality of service exist, including Cape Town, Hong Kong, Johannesburg, La Paz, Los Angeles, Milan, Paris and San Jose.

Regional training courses offered by PSAG to postal managers from nearly 50 countries over the past year covered such topics as development of postal security units, contingency planning, mail theft investigations, airport security coordinators certification, the eMaria application, narcotics, and money laundering.

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## **UPU COOPERATIVES**

*EMS Cooperative*

The EMS Pay-for-Performance Forum reviewed the performance and accounting reports so that members better understand how to view these documents. All members with validated delivery standards receive these reports, but not all appear to use them and some are not familiar with the reports at all. The EMS Unit reviewed the data in the monthly diagnostic reports and flat files to show how these data can help members improve their service and understand where problems lie. Ten additional members have joined the Pay-for Performance Plan since April, raising the number of participants to 38. Interest is rising as Pay-for-performance becomes mandatory on 1 January 2009.

### *Telematics Cooperative*

Considerable discussion was generated about the .post project, including details about expected return on investment. A business plan is still needed to support this effort. To get this initiative underway, five to ten administrations would need to commit a business development expert and a full-time business manager to manage the project.

Recent updates to IPS and IPS Light software included improved entry for delivery offices and a change in exempt mail processing. The next iteration of IPS (version 5.01) will be made available to user administrations in April 2008. Other enhancements underway include introduction of electronic messages for verification notes, enhanced accounting data for PREDES messages, a joint UPU-WCO standard for interface with the Customs ASYCUDA system, and integration of the new CARDIT/RESBIT messages for the airlines.

Since PTC's resumption of management of POST\*Net, reliability had risen to 100% inclusive of maintenance periods, and EDI message handling time has been greatly reduced. A service provider has been selected to host the POST\*Net production platform in a secure and certified external environment. PTC will set up a Global Support Center from March 2008 in Montevideo on the premises of the Postal Union of the Americas, Spain and Portugal, providing first-level support service on working days; second- third-level support would still be provided by PTC.

### *Parcels Group*

Since the 2004 Bucharest Congress, the Parcels Group has carried out its work through four Subgroups which are responsible respectively for rates, services, customer service and delivery networks.

The Rates Subgroup continued its work on adjusting parcel inward land rates, which are the payments made to the country of destination for delivery of parcels. The Bucharest Congress had decided to introduce a system of inward land rates based on five main service features provided by the destination administration (also known as the parcels "bonus" system). Under the system, postal administrations receive a base payment of 71% of their inward land rate, while provision of the service features; tracking, home delivery, using the web-based call center system, and publication of service standards award destination administrations with compensatory "bonus" payments. These were previously fixed for 2008. Rates for 2009 and 2010 need to be determined when the group next meets in January 2008. The Rate Subgroup worked on adjustments to the bonus features as well as indicative measurements for bonus payments based on the minimum expectations that members have previously agreed to.

The focus of the work of the Services Subgroup is to put in place a system for measuring the level of parcel quality of service attained by postal administrations. The first monthly reports,



which were distributed in February 2007, were significantly adjusted in August to reflect input by members and changes to the bonus payments approved by the Parcels Group.

The Customers Subgroup reviewed the work carried out in conjunction with International Post Corporation to further develop the *Cricket* web-based call center system now used by 70 administrations. A user manual is under development. The Subgroup will continue to codify the procedures and rules governing *Cricket*.

#### *Standards Board*

In tackling a full agenda at its meeting in Bern, the Standards Board took a number of significant decisions. Among these, the Board approved three work item proposals aimed at developing proposals in the following technical areas:

- More flexible status events in the EMSEVT message, which will likely lead to a new version to enable more complete tracking. (The EMSEVT message, for “EMS event”, is employed for tracking EMS items.) The work may produce a structure much different from the current EMSEVT message while preserving the globally recognized message name.
- Encoding of customs data on the CN 22 and CN 23 customs declaration forms in electronic format using bar codes (e.g. such as two-dimensional codes) or other electronic storage techniques. A major goal would be to ease the burden of customs data acquisition by postal administrations.
- Definition of a unique identifier that envelope manufacturers could apply to envelopes during production, which could enable broader use of item tracking.

The Board also approved new EDI messages for use between posts and airlines to provide better aggregation and status information, supported a proposal to limit identifiers on letter items to one per item and discussed enhancements to the Board’s policies on copyrights and intellectual property rights.

#### *Development Cooperation and Postal Development Action Groups*

These two Action Groups held a joint meeting on November 1 under the shared chairmanship of Spain and Canada.

Participants examined a draft document for the Nairobi Congress, prepared in the form of a joint report by the CA, the POC and the IB, containing a global review of UPU development cooperation during the period 2005–2008. The IB was instructed to submit an updated draft of the document at the January 2008 POC session which would take account of recent developments. Included in this global review would be a recommendation to the Nairobi Congress to merge the two Action Groups into a single body responsible for examining all development cooperation matters. The U.S. supported this recommendation. In addition, members agreed to indicators developed by the Development Cooperation Action Group which would enable measurement of progress on implementation of IPDPs (Integrated Postal Reform and Development Plans).

#### *Postal Financial Services Group*

The Ad hoc Group on postal payment services met on October 22 to finalize the draft Postal Payment Services Agreement to be submitted to the 2008 Congress. Germany, Japan and the U.S. in particular expressed concerns with the draft text, including the fact that many of the changes approved at the Group's September 2007 meeting were missing. U.S. delegates worked to reinsert the necessary provisions in the Agreement and continued efforts to draft the Regulations that will accompany the new Agreement.

A new team formed to work on clearing issues began drafting regulations on interadministration settlement of accounts and a request for information to identify commercial clearinghouses. The team plans to publish request for information by January 2008. Also formed was a team to handle trademarking the collective mark. This team will draft a request for information to identify international law firms to handle the trademarking of the collective mark. The U.S. was tasked with drafting this document, which will be distributed later to member countries. The team hopes to identify two law firms which would make report on progress made in Bern in January 2008.

## **PART II: COUNCIL OF ADMINISTRATION**

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### **COUNCIL OF ADMINISTRATION PROJECT GROUPS**

#### *Structure and Constituency of the Union Project Group*

The SCU Project Group forwarded to Committee 1 without decision a proposal that would modify the rules for membership of the CA by reducing the number of members that must be replaced at each Congress from 1/2 to 1/3 and repealing the limitation that no country may be elected to CA by three consecutive Congresses. The Group also adopted a proposal that would limit reimbursement of travel expenses of CA members to only those members representing least developed countries (LDCs) or developing countries and supported a new structure for strategic planning that would place primary responsibility on a joint committee with equal membership from the CA and POC. The joint committee would report to the CA.

#### *Acts of the Union Project Group*

The Acts of the Union Project Group reviewed the results of a survey that showed that 85 member countries support replacing the term "postal administration" with "member country" or "designated operator". In conjunction with specific comments that emerged from the survey, the Group examined and approved 92 proposals for replacing the term "postal administration" in the UPU Acts. The Group also rejected a proposal that would have amended the definition of "member country" to include a reference to "governmental authorities ... responsible for postal services stipulated in the Acts of the Union."

#### *Universal Service Project Group*

This Group heard presentations by the IB on projects related to universal service, including case studies on Benin and Malawi on developing a model for universal postal service which might be applicable throughout Africa. The IB released preliminary results of this pilot project along with the executive summary of the final report. The final report, which will include an action plan for implementing recommendations, will be presented at a postal conference hosted by Burkina Faso in November 2007. The report will address access, price, quality, and financing.

The Group also took note of the results of an annual survey for monitoring the application of quality of service standards. This work is a result of a Beijing Congress resolution which instructed the CA, in consultation with the POC, to collect information on the universal postal service obligations incumbent upon member countries and propose guidelines on setting quality of service standards related to access, customer satisfaction, speed and reliability, security, liability, and treatment of inquiries. Since 2003, the IB has collected data annually from administrations to monitor the application of these standards.

#### *Postal Economics Project Group*

Participants at the meeting of this Group heard an update by the IB on its work to gain better knowledge and understanding of the postal sector in developing countries. One study underway is focusing on a comparison of macroeconomic, telecom and postal sector performance in emerging countries in Asia. This involves examination of performance of individual countries in Asia with that of the average of all emerging Asian countries and a subsequent comparison of the performance of emerging Asian countries with that of industrialized countries. While the gap in macroeconomic and telecom performance has decreased between ICs and emerging Asian economies, the gap in the postal sector did not follow that pattern. Similarly, the variation among emerging Asian economies has increased in postal sector performance while the variation decreased in both macroeconomic and telecom performance. An explanation for this phenomenon is still pending.

A presentation entitled “Millennium Development Goals: A Project of Postal Impact Assessment” discussed the initial results of an IB case study under development with the aid of Brazil which show that, in general, the postal sector barely receives mention in national development plans and poverty reduction strategies. It is challenging to measure the impact of the postal sector on economic development. The goal of the case study will be to produce and assessment of the impact on economic development of the initiatives conducted by the postal administration of Brazil which may serve as a model for other developing countries.

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#### **COMMITTEE 1: REFORM OF THE UNION**

Following examination of the report by the Structure and Constituency of the Union Project Group, the IB was tasked with drafting proposals for governance rules regarding extrabudgetary activities that would allow for the orderly management of the of the UPU Programme and Budget. The IB was also asked to present proposals to replace the current Strategic Planning Group with a joint CA/POC Committee of UPU Strategy falling under the purview of the CA. The SCU Project Group will draft a proposal of a general nature for Congress in support of strengthening the role and contribution of the Consultative Committee.

A proposal delineating the criteria for member countries which would chair CA and POC committees and project groups was approved as a recommendation to Congress.

Also approved were proposals to enable CA members to serve more than two consecutive terms and to revise travel expense reimbursements for CA meetings so that they are better aligned with current POC provisions.

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#### **COMMITTEE 2: REGULATORY ISSUES**

Committee 2 considered reports of its four project groups: Acts of the Union, Universal Postal Service, WTO Issues, and Terminal Dues Governance Issues. The Committee also reserved considerable time for examining the draft Agreement developed by the Ad hoc Group for Postal Financial Services. The Committee approved the draft agreement as a working document for the Nairobi Congress on the basis of which UPU member countries could prepare proposals for amendments for submission to Congress.

The Universal Postal Service Project Group presented the results of its pilot project for Africa to define a sustainable universal postal service model based on specific indicators. The Group informed Committee 2 that many more African countries were interested in providing information on their provision of universal postal service.

Regarding the WTO Issues Project Group, the Committee was informed about the World Trade Institute study on the implications of the General Agreement on Trade and Services on the provision of postal services, specifically express courier services. The study and associated comments by member countries are posted on the UPU website. Among these comments are those of the U.S. delegation, which objected strenuously to many of the conclusions reached in the report.

Concerning Extraterritorial Offices of Exchange (ETOE) and the structure and allocation of International Mail Processing Centre (IMPC) codes, the U.S. expressed concern about the serious operational and accounting difficulties that ETOE operators, and deficiencies in the structure of the IMPC codes themselves, have caused for postal administrations. The U.S. put forward recommendations to address these problems, including suggestions to modify the IMPC codes so that the first two characters identify the operator and not the country of origin. The Committee took note of the documents presented and decided that these recommendations should be presented to the 2008 POC and CA for later submission to the Nairobi Congress.

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### **COMMITTEE 3: FINANCE**

Due to the imminence of Congress, the work of Committee 3 took on a more urgent tone than in recent years.

The Committee's attention focused on a resolution which would present a new method to describe how the UPU budget shall be financed based on three pillars. Pillar A is the mandatory budget now capped at 37 million Swiss Francs per annum; Pillar B represents extrabudgetary entities such as the Telematics Cooperative, the EMS Cooperative, UPU\*Clearing and the Quality of Service Fund (that collectively produce about \$24 million in revenue annually for UPU activities); while Pillar C comprises voluntary contributions to the Union not associated with a formal, dedicated structure.

The resolution eases the procedures for countries wishing to ascend to a higher contribution class, recommends that Congress issue a non-binding opinion about requests by member countries for a reduction in contribution class before Congress, and expands the range of sanctions on member countries that fall into arrears.

In the plenary session, the U.S. delegation pointed out that, in contrast to statements made by the IB, the financial resources available to the Union had actually grown by more than 60% over

the past 10 years, since most of the sources of financing represented by Pillar B (the extrabudgetary entities) did not exist until the late 1990s. The U.S. delegation also recommended that the IB should draw up a definitive list of the entities and accounts in Pillars B and C, a suggestion which the CA plenary adopted.

The working group responsible for studying support costs for extrabudgetary activities recommended a case-by-case negotiation between the Director General and the leadership of each activity since no consensus has been reached for allocating overhead costs for these activities. Reports from the auditors criticized the IB for failing to adhere to internal controls over its daily operations in several areas (although the accounts for the extrabudgetary activities did not draw such criticism).

Finally, the Committee also approved the IB's implementation of IPSAS (International Public Sector Accounting Standards), which have become a recommended practice within UN agencies, and a one-time withdrawal of 1.7 million Swiss Francs from the Reserve Fund to pay for the costs of implementation.

## Annex 1

### U.S. Delegation to the October-November 2007 UPU Council of Administration

<i>Name</i>	<i>Position</i>
Michael Glover	Director, Office of Technical and Specialized Agencies, Department of State
Dennis Delehanty	Director for Postal Affairs, Office of Technical and Specialized Agencies, Department of State
Michael Regan	Executive Director, International Postal Affairs
William Alvis	Attorney
Anthony Alverno	Chief Counsel
Patricia Barnwell	Program Manager, International Postal Development
Clayton Bonnell	Program Manager, Intelligent Mail
Magda Borowicz	Program Manager, Financial Services
Peter Chandler	International Postal Affairs Specialist
Shannon Chaney	Program Manager, Customs and Border Protection
Kathy Clendenin	Economist, Postal Regulatory Commission
Lupe Contreras	International Postal Affairs Specialist
Thomas Day	Senior Vice President, Intelligent Mail and Address Quality
Lea Emerson	Program Manager, UPU Policies
Ruth Goldway	Commissioner, Postal Regulatory Commission
Alicia Grenidge	Assistant Deputy Chief of Mission, U.S. Trade Representative
David Hamilton	Business Systems Manager
Tony Hammond	Commissioner, Postal Regulatory Commission
Brian Hutchins	Program Manager, EMS
Ruth Jones	Program Manager, Intelligent Mail
Harold Lane	Deputy Chief Postal Inspector
Alexander Lazaroff	Chief Postal Inspector
Louisa Marinaccio	Program Director, Financial Services Negotiations, Commerce Department
Bruce Marsh	International Postal Affairs Specialist
Laree Martin	Attorney
Flori McClung	Program Manager, POC Chairmanship
Oscar Villanueva	Inspector in Charge, Global Security, U.S. Postal Inspection Service
Philip Warker	Chief, Manifest and Conveyance, Customs and Border Protection

## Annex 2

### GLOSSARY OF ABBREVIATIONS AND TERMS

<i>Abbreviation or term</i>	<i>Full name or explanation</i>
ASYCUDA	Automated System for Customs Data
CA	Council of Administration
CARDIT	A UPU technical standard for EDI messages from origin postal administrations to airlines regarding handover of international mail dispatches to the airlines
EDI	Electronic Data Interchange
eMaria	An application and network developed by the Postal Security Action Group to record international mail irregularities
EMS	Express Mail Service
ETOE	Extra-territorial Office of Exchange
EU	European Union
GATS	General Agreement on Trade in Services
GMS	Global Monitoring System
IAEA	International Atomic Energy Agency
IATA	International Air Transport Association
IB	IB (the UPU secretariat in Bern, Switzerland)
IC	Industrialized Country
ICANN	Internet Corporation for Assigned Names and Numbers
ICAO	International Civil Aviation Organization
IPK	Items per kilogram
IPS	International Postal System (Tracking application developed and deployed by the UPU's Postal Technology Centre)
IPS Light	A web-based version of the IPS application.
LDC	Least Developed Country
M Bags	A mailbag of postal items for a single addressee
POC	Postal Operations Council
POST*Net	A network operated by the UPU Postal Technology Centre to which mail tracking data is transmitted
PSAG	Postal Security Action Group
PT	Project Team
PTC	Postal Technology Centre
QSF	Quality of Service Fund
RESBIT	A UPU technical standard for EDI messages from destination postal administrations to airlines and origin postal administrations regarding the receipt of international mail dispatches
SAL	Surface Air Lift
SCU	Structure and Constituency of the Union
SDR	Special Drawing Rights
UNEX	A system for measurement of letter post quality of service developed and managed by International Post Corporation
UPU	Universal Postal Union
USPS	United States Postal Service
WCO	World Customs Organization

